

# Fiscal Note

State of Alaska  
2022 Legislative Session

Bill Version:	SCS HB 102(FIN)
Fiscal Note Number:	2
(S) Publish Date:	4/27/2022

Identifier: HB102-DOA-DRM-1-24-22  
Title: STATE INSUR. CATASTROPHE RESERVE  
ACCT.  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Governor

Department: Department of Administration  
Appropriation: Risk Management  
Allocation: Risk Management  
OMB Component Number: 71

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2023 Appropriation Requested	Included in Governor's FY2023 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2023	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Personal Services							
Travel							
Services	(3,033.0)		(3,033.0)	(5,033.0)	(6,000.0)	(6,000.0)	(6,000.0)
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>(3,033.0)</b>	<b>0.0</b>	<b>(3,033.0)</b>	<b>(5,033.0)</b>	<b>(6,000.0)</b>	<b>(6,000.0)</b>	<b>(6,000.0)</b>

## Fund Source (Operating Only)

1007 I/A Rcpts (Other)	(3,033.0)		(3,033.0)	(5,033.0)	(6,000.0)	(6,000.0)	(6,000.0)
<b>Total</b>	<b>(3,033.0)</b>	<b>0.0</b>	<b>(3,033.0)</b>	<b>(5,033.0)</b>	<b>(6,000.0)</b>	<b>(6,000.0)</b>	<b>(6,000.0)</b>

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2022) cost:** 0.0 (separate supplemental appropriation required)

**Estimated CAPITAL (FY2023) cost:** 0.0 (separate capital appropriation required)

**Does the bill create or modify a new fund or account?** Yes  
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

## Why this fiscal note differs from previous version/comments:

Updated for current fiscal year form.

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Phone: (907)465-8464  
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Date: 04/15/2022

REPORTED OUT OF  
SFC 04/27/2022

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2022 LEGISLATIVE SESSION**Analysis**

This proposed legislation will allow the Division of Risk Management (RM) to reduce costs by increasing the maximum reserve level for the Catastrophic Reserve Account. This change will enable RM to self-insure property loss, which is estimated to save \$3 million in the first year and up to \$6 million within four years.

In FY2022, the State experienced a 54% increase in its property loss premiums and is expecting another 5-10% increase for FY2023 unless changes are made. In response to these increasing property premium costs, RM conducted an analysis of the past ten years of claims and developed an average cost per year for anticipated claim costs. Based on this analysis, RM determined that self-insuring property losses would result in a savings of \$3 million per year and increase to up to \$6 million per year by fiscal year 2026 depending on actual claim experience.

The State cannot self-insure property without an adequate balance in the Catastrophe Reserve Account (CRA) to cover potential losses. This legislation will increase the maximum allowable fund balance in the CRA to \$50 million which gives RM the safety net necessary for large unexpected losses while also allowing flexibility in managing claims resulting in better management of property losses. The CRA balance is currently capitalized by operating budget appropriations of lapse balances at the end of the fiscal year.

RM's budget authority is based on inter-agency billing to other departments. The savings enabled by this legislation will result in reduced RM charges to other agencies.